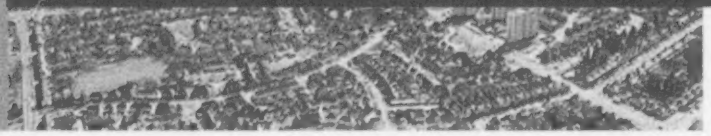
HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

St. John's CMA



Canada Mortgage and Housing Corporation

Date Released: Fall 2008

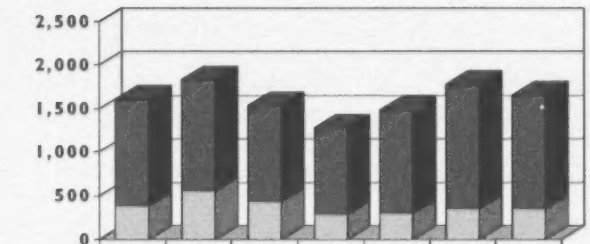
Sustained Demand for Housing

Strong fundamentals such as a solid local economy, continued in-migration and favourable employment will sustain the demand for housing within the St. John's region throughout the remainder of this year and in 2009. Accordingly, the housing market will continue to perform well. The renovation sector will build on its recent strength, exceeding $800 million annually over the forecast period. With homeownership costs increasing, some prospective buyers remain sensitive to prices when considering the purchase of a home. However, personal income growth and a tight labour market will continue to provide support to the overall level of demand for both new and existing homes. Furthermore, energy related announcements such as Hebron and growth throughout the local oil industry continue to fuel the housing market, with unprecedented buyer demand supporting current and future house price appreciation.

Figure 1

New Home Demand Will Continue

Housing Starts - St. John's Region



	2003	2004	2005	2006	2007	2008(f)	2009(f)
Singles	1,213	1,275	1,096	985	1,174	1,425	1,300
Multiples	391	559	438	290	306	350	350

Source: CMHC Forecast 2008, 2009

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Resale Market

Buoyant MLS® Market

Having posted record sales for several years in a row, the local resale market is expected to continue this trend, eclipsing the 4,000 unit mark this year and in 2009. Accordingly, the forecast calls for MLS® sales of 4,800 units this year, with 4,400 sales expected in 2009. With many new homes selling through the MLS® system, solid numbers for housing starts will have a positive impact on total MLS® sales over the forecast period. Unprecedented housing market activity this year has been characterized by higher than normal unit sales, constrained listings supply and sharp price increases. In fact, active listings are approximately 40 per cent lower this year versus last year and with demand expected to remain high over the forecast period, unit sales growth will be constrained by fewer listings in 2009. While favourable for sellers, very tight resale market conditions have proved challenging for buyers, resulting in multiple offers and offers above list price on choice listings.

With fewer listings available, buyers have looked to the new home market instead. However, the growing new versus existing house price premium more first-time buyers are choosing existing home over a new home, adding pressure to the resale market.

Resale Market Classified as Sellers

The resale market became balanced in 2005 after three years that favoured sellers. Balanced conditions existed for less than a year, as record sales activity was offset by an increase in active listings in 2006, driving the number of listings to their highest level since 1999. As a result, the St. John's resale market was classified as buyers until mid 2007. Subsequent robust economic activity and in-migration to the region, combined with solid resale market dynamics, positioned the market once again as a sellers market. With fewer available listings to choose from and choice listings selling quickly, prospective homebuyers continue to face challenges in their search for a new home. The average time on market has trended lower than historical norms and notable price growth has been experienced in all segments. The current forecast is for active listings to remain low. As some sellers capitalize on recent price appreciation, others downsize from their family homes, making way for new young families in the active move-up segment. The increasingly active move-up buyer segment will continue to absorb many of these family homes. This segment will also be bolstered by returnees from Alberta coming home to St. John's to work on energy related projects. As a result, the local resale market is expected to remain classified as sellers through to the end of 2009.

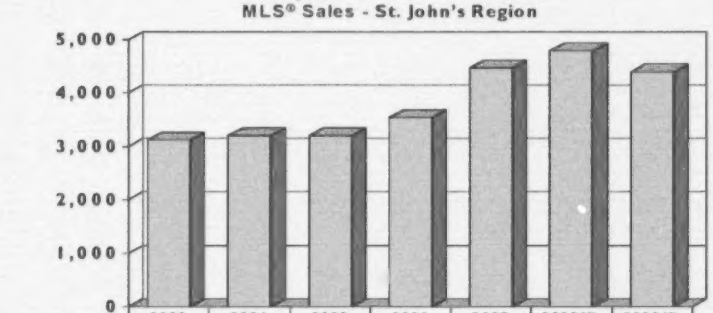
Steady Price Growth

With the market classified as sellers, expect to see steady price growth this year and in 2009. The average MLS® house price is forecast to end this year at $176,500, an increase of 18.3 per cent, followed by a further 6.2 per cent gain in 2009 to $187,500. The active move-up buyer segment will result in two-storey homes experiencing the highest price growth over the forecast period. The current cost of homeownership will continue to reduce on two-storey demand from the first-time buyer segment. As such, demand for bungalows with or without basement apartments should remain a solid alternative for this segment of the market.

Figure 2

Buoyant MLS® Market

MLS® Sales - St. John's Region



	2003	2004	2005	2006	2007	2008(f)	2009(f)
MLS® Sales	3,119	3,203	3,196	3,537	4,471	4,800	4,400

Source: CREA, CMHC forecast

MLS® is a registered trademark of the Canadian Real Estate Association (CREA)

New Home Market

New Home Demand Will Continue

A favourable provincial net-migration picture, combined with local workers commuting to and from Alberta, will increase provincial housing demand this year. Activity will only retreat slightly next year to a more normalized level. Consequently, total provincial housing starts are expected to reach 3,100 units this year, with 2,725 forecast for 2009. Conditions within the St. John's metro area will also remain favourable. Robust residential construction activity will continue due to solid economic and demographic factors, as well as an expectation of continued in-migration to the region, as a result of recent energy project announcements. The expected strength in overall home buying activity will sustain a healthy level of residential construction activity within the metro region over the forecast period. However, additional price growth, combined with higher development and construction costs, will partially reduce demand in the new home market. On the flip side, with fewer listings available within the local resale market, some buyers will continue to face difficulties in finding a home that meets their needs and may end up buying a newly built home instead. As demand for housing increases, this situation is not expected to change significantly. Accordingly, total housing starts are forecast to increase 19.9 per cent to 1,775 units within the St. John's region this year with activity taking a small pause in 2009 to 1,650 starts.

Flat Multiple Starts Activity

Multiple unit construction is expected to remain flat over the forecast period, offset slightly by higher numbers of condominiums and an increase in affordable housing projects. Continued in-migration, due to increased economic activity and employment, and demographic trends such as smaller households and an aging population, will support the growing condo market in St. John's. With a recent peak in supply and higher disposable incomes, demand for new semi-detached homes is expected to remain fairly flat, as buyers opt for single-detached dwellings. That being said, new lower-priced semi-detached units will remain attractive as overall house prices continue to grow. In view of this, the multiple housing starts forecast calls for 350 units by the end of this year and another 350 in 2009.

Rental Market

Decrease in Vacancy Rate

Several factors will decrease the vacancy rate this year and in 2009. As homeownership costs rise, the movement of renter households to homeownership will continue to slow. However, out-migration of the 18 to 24 year-old segment of the population will persist and once again this will put upward pressure on the vacancy rate. In fact, close to 80 per cent of this age group tend to be renter households. Investment in rental housing will increase the supply only slightly this year and next. Accordingly, the vacancy rate for structures containing three or more units is forecast at 1.0 per cent in 2008 and 1.5 per cent in 2009. With the vacancy rate decreasing, expect monthly rents to increase by 6.0 and 11 per cent this year and next, respectively, as landlords attempt to recover increased costs associated with maintaining the rental stock and lower vacancies and higher energy costs exert upward pressure on rents.

Economic Trends

Economic Growth Will Strengthen

The Hebron project continues to drive local economic growth. The ramping up of the project will contribute to stronger growth in 2009. However, declines in offshore oil production will dampen pronounced GDP growth in 2008. In fact, during the January to August period of this year, oil production decreased 9.2 per cent over the same period in 2007. Terra Nova and Hibernia are expected to continue to see declines in production over the 2008-2009 period. Higher commodity prices over the past few years have resulted in increased mineral exploration activity in the interior region of Newfoundland, as well as Labrador. However, the recent correction in commodity prices may suggest a moderation in growth. The fishery may benefit from recent declines in fuel costs and the Canadian dollar. Coming off the heels of real GDP growth of 7.9 per cent in 2007, additional growth in the final GDP number for 2008 and again in 2009 is expected.

The local labour market has performed very well in recent years, thanks in large part to the increased economic activity and growth that has been experienced as a result of the oil sector. Last year represented a 26 year low for unemployment and a 26 year high for employment. This trend is expected to continue in terms of both employment growth and the unemployment rate remaining low this year and next. The tight labour market conditions continue to exert upward pressure on wages and salaries. Overall, personal incomes continue to grow, having increased 4.3 per cent in 2007, while personal disposable income increased 5.0 per cent, with additional growth expected this year and in 2009. Retail sales were up 9.0 per cent last year and similar results are expected for 2008 and 2009. In fact, during the January to June period of this year, retail sales increased 7.1 per cent over the same period in 2007. Some of this growth has been driven by the Alberta commuter, working in Alberta and coming back during their time off, injecting their earnings into the local economy. On the population front, for the first time in 16 years, the NL Government recently announced a net population increase of 1,436 from July 2007 to July 2008. This was driven primarily by net-migration of 1,713, as people continue to relocate for work from other provinces, particularly Alberta.

Mortgage Rates

Mortgage rates are expected to be relatively stable throughout the last quarter of this year, remaining within 25-50 basis points of their current levels. Posted mortgage rates will decrease slightly in the first half of 2009 as the cost of credit to financial institutions eases. Rising bond yields, however, will nudge mortgage rates marginally higher in the latter half 2009. For the last quarter of 2008 and in 2009, the one year posted mortgage rate will be in the 6.00-6.75 per cent range, while three and five year posted mortgage rates are forecast to be in the 6.50-7.25 per cent range.

Forecast Summary
St. John's CMA
Fall 2008

	2005	2006	2007	2008f	% chg	2009f	% chg
Resale Market							
MLS® Sales	3,211	3,537	4,471	4,800	7.4	4,400	-8.3
MLS® Active Listings	6,793	7,292	7,416	7,000	-5.6	6,850	-2.1
MLS® Average Price ($)	141,167	139,542	149,258	176,500	18.3	187,500	6.2
New Home Market							
Starts:							
Single-Detached	1,096	985	1,174	1,425	21.4	1,300	-8.8
Multiples	438	290	306	350	14.4	350	0.0
Starts - Total	1,534	1,275	1,480	1,775	19.9	1,650	-7.0
Average Price ($):							
Single-Detached	196,437	202,698	211,123	250,000	18.4	270,000	8.0
Median Price ($):							
Single-Detached	170,000	175,812	189,900	224,750	18.4	242,750	8.0
New Housing Price Index (% chg.)	5.6	3.7	5.0	16.0	n/a	7.5	n/a
Rental Market							
October Vacancy Rate (%)	4.5	5.1	2.6	1.0	-1.6	1.5	0.5
Two-bedroom Average Rent (October) ($)	634	635	614	650	6.0	725	11.0
Economic Overview							
Mortgage Rate (1 year) (%)	5.06	6.28	6.90	6.75	-0.15	6.31	-0.44
Mortgage Rate (5 year) (%)	5.99	6.66	7.07	7.05	-0.02	6.92	-0.13
Annual Employment Level	90,300	93,400	94,500	97,600	3.3	99,700	2.2
Employment Growth (%)	0.9	3.4	1.2	3.3	n/a	2.2	n/a
Unemployment rate (%)	8.9	8.1	6.9	8.0	n/a	7.0	n/a
Net Migration [1]	779	1,051	1,500	2,000	33.3	1,500	-25.0

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over
(1) 2007 migration data is forecasted

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